

Tax Reporting for Settlement Agreements
February 13, 2008
HANDOUTS

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Kearneysville, West Virginia 25430, signed by the applicant (or its agent) will suffice as an application. The application must be filed on or before the date prescribed in paragraph (c)(1) of this section for furnishing the statements required by this section, and must contain the employer identification number of the corporation required to furnish statements under this section.

(3) *Last day for furnishing statement.* For provisions relating to the time for performance of an act when the last day prescribed for performance falls on Saturday, Sunday, or a legal holiday, see § 301.7503-1 of this chapter (Regulations on Procedure and Administration).

(d) *Statements furnished by mail.* For purposes of this section, a statement is considered to be furnished to a person if it is mailed to such person's last known address.

(e) *Penalty.* For provisions relating to the penalty provided for failure to furnish a statement under this section, see section 6722.

(f) *Electronic furnishing of statements.* The statements required to be furnished pursuant to this section may be provided in an electronic format in lieu of a paper format, with the consent of the recipient. See § 31.6051-1(j) of the Regulations on Employment Taxes and Collection of Income Tax at the Source for further guidance regarding the manner in which such electronic statements must be furnished.

(g) *Effective date—(1) In general.* These regulations are effective on August 3, 2004.

(2) *Reliance and transition period.* For statutory options transferred on or before June 9, 2003, taxpayers may rely on the 1984 proposed regulations LR-279-81 (49 FR 4504), the 2003 proposed regulations REG-122917-02 (68 FR 34344), or this section until the earlier of January 1, 2006, or the first regularly scheduled stockholders meeting of the granting corporation occurring 6 months after August 3, 2004. For statutory options transferred after June 9, 2003, and before the earlier of January 1, 2006, or the first regularly scheduled stockholders meeting of the granting corporation occurring at least 6 months after August 3, 2004, taxpayers may

rely on either REG-122917-02 or this section. Taxpayers may not rely on LR-279-81 or REG-122917-02 after December 31, 2005. Reliance on LR-279-81, REG-122917-02, or this section must be in its entirety, and all statutory options granted during the reliance period must be treated consistently.

[T.D. 9144, 69 FR 46425, Aug. 3, 2004; 69 FR 61311, Oct. 18, 2004]

§ 1.6041-1 Return of information as to payments of \$600 or more.

(a) *General rule—(1) Information returns required—(i) Payments required to be reported.* Except as otherwise provided in §§ 1.6041-3 and 1.6041-4, every person engaged in a trade or business shall make an information return for each calendar year with respect to payments it makes during the calendar year in the course of its trade or business to another person of fixed or determinable income described in paragraph (a)(1)(i) (A) or (B) of this section. For purposes of the regulations under this section, the person described in this paragraph (a)(1)(i) is a payor.

(A) Salaries, wages, commissions, fees, and other forms of compensation for services rendered aggregating \$600 or more.

(B) Interest (including original issue discount), rents, royalties, annuities, pensions, and other gains, profits, and income aggregating \$600 or more.

(ii) *Information returns required under other provisions of the Internal Revenue Code.* The payments described in paragraphs (a)(1)(i)(A) and (B) of this section shall not include any payments of amounts with respect to which an information return is required by, or may be required under authority of, section 6042(a) (relating to dividends), section 6043(a)(2) (relating to distributions in liquidation), section 6044(a) (relating to patronage dividends), section 6045 (relating to brokers' transactions with customers and certain other transactions), sections 6049(a)(1) and (2) (relating to interest), section 6050N(a) (relating to royalties), or section 6050P(a) or (b) (relating to cancellation of indebtedness). For information returns required under section 6045(f) (relating to payments to attorneys), see special rules in §§ 1.6041-1(a)(1)(iii) and 1.6045-5(c)(4).

1.6041(a)

(iii) Information returns required under section 6045(f) on or after January 1, 2007. For payments made on or after January 1, 2007 to which section 6045(f) (relating to payments to attorneys) applies, the following rules apply. Notwithstanding the provisions of paragraph (a)(1)(ii) of this section, payments to an attorney that are described in paragraph (a)(1)(i) of this section but which otherwise would be reportable under section 6045(f) are reported under section 6041 and this section and not section 6045(f). This exception applies only if the payments are reportable with respect to the same payee under both sections. Thus, a person who, in the course of a trade or business, pays \$600 of taxable damages to a claimant by paying that amount to the claimant's attorney is required to file an information return under section 6041 with respect to the claimant, as well as another information return under section 6045(f) with respect to the claimant's attorney. For provisions relating to information reporting for payments to attorneys, see § 1.6045-5.

(2) *Prescribed form.* The return required by subparagraph (1) of this paragraph shall be made on Forms 1096 and 1099 except that (i) the return with respect to distributions to beneficiaries of a trust or of an estate shall be made on Form 1041, and (ii) the return with respect to certain payments of compensation to an employee by his employer shall be made on Forms W-3 and W-2 under the provisions of § 1.6041-2 (relating to return of information as to payments to employees). Where Form 1099 is required to be filed under this section, a separate Form 1099 shall be furnished for each person to whom payments described in subdivision (i), (ii), or (iii) of subparagraph (1) of this paragraph are made. For time and place for filing Forms 1096 and 1099, see § 1.6041-6. For the requirement to submit the information required by Form 1099 on magnetic media for payments after December 31, 1983, see section 6011(e) and § 301.6011-2 of this chapter (Procedure and Administration Regulations).

(b) *Persons engaged in trade or business—(1) In general.* The term "all persons engaged in a trade or business", as used in section 6041(a), includes not only those so engaged for gain or prof-

it, but also organizations the activities of which are not for the purpose of gain or profit. Thus, the term includes the organizations referred to in section 401(a), 501(c), 501(d) and 521 and in paragraph (i) of this section. On the other hand, section 6041(a) applies only to payments in the course of trade or business; hence it does not apply to an amount paid by the proprietor of a business to a physician for medical services rendered by the physician to the proprietor's child.

(2) *Special rule for REMICs.* For purposes of chapter 1 subtitle F, chapter 61A, part IIIB, the terms "all persons engaged in a trade or business" and "any service-recipient engaged in a trade or business" includes a real estate mortgage investment conduit or REMIC (as defined in section 860D).

(c) *Fixed or determinable income.* Income is fixed when it is to be paid in amounts definitely predetermined. Income is determinable whenever there is a basis of calculation by which the amount to be paid may be ascertained. The income need not be paid annually or at regular intervals. The fact that the payments may be increased or decreased in accordance with the happening of an event does not for purposes of this section make the payments any the less determinable. A payment made jointly to two or more payees may be fixed and determinable income to one payee even though the payment is not fixed and determinable income to another payee. For example, property insurance proceeds paid jointly to the owner of damaged property and to a contractor that repairs the property may be fixed and determinable income to the contractor but not fixed and determinable income to the owner, and should be reported to the contractor. A salesman working by the month for a commission on sales which is paid or credited monthly receives determinable income.

(d) *Payments specifically included—(1) In general.* Amounts paid in respect of life insurance, endowment, or annuity contracts are required to be reported in returns of information under this section—

(i) Unless the payment is made in respect of a life insurance or endowment contract by reason of the death of the

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insured and is not required to be reported by paragraph (b) of § 1.6041-2.

(ii) Unless the payment is made by reason of the surrender prior to maturity or lapse of a policy, other than a policy which was purchased (a) by a trust described in section 401(a) which is exempt from tax under section 501(a), (b) as part of a plan described in section 403(a), or (c) by an employer described in section 403(b)(1)(A).

(iii) Unless the payment is interest as defined in § 1.6049-2 and is made after December 31, 1962.

(iv) Unless the payment is a payment with respect to which a return is required by § 1.6047-1, relating to employee retirement plans covering owner-employees.

(v) Unless the payment is payment with respect to which a return is required by § 1.6052-1, relating to payment of wages in the form of group-term life insurance.

(2) *Professional fees.* Fees for professional services paid to attorneys, physicians, and members of other professions are required to be reported in returns of information if paid by persons engaged in a trade or business and paid in the course of such trade or business.

(3) *Prizes and awards.* Amounts paid as prizes and awards that are required to be included in gross income under section 74 and § 1.74-1 when paid in the course of a trade or business are required to be reported in returns of information under this section.

(4) *Disability payments.* Amounts paid as disability payments under section 105(d) are required to be reported in returns of information under this section.

(5) *Notional principal contracts.* Except as provided in paragraphs (b)(5)(i) and (ii) of this section, amounts paid after December 31, 2000, with respect to notional principal contracts referred to in § 1.863-7 or 1.988-2(e) to persons who are not described in § 1.6049-4(c)(1)(ii) are required to be reported in returns of information under this section. The amount required to be reported under this paragraph (d)(5) is limited to the amount of cash paid from the notional principal contract as described in § 1.446-3(d). A non-periodic payment is reportable for the year in which an actual payment is made. Any amount of

interest determined under the provisions of § 1.446-3(g)(4) (dealing with interest in the case of a significant non-periodic payment) is reportable under this paragraph (d)(5) and not under section 6049 (see § 1.6049-5(b)(15)). See § 1.6041-4(a)(4) for reporting exceptions regarding payments to foreign persons. See, however, § 1.1461-1(c)(1) for reporting amounts described under this paragraph (d)(5) that are paid to foreign persons. The provisions of § 1.6049-5(d) shall apply for determining whether a payment with respect to a notional principal contract is made to a foreign person. See § 1.6049-4(a) for a definition of payor. For purposes of this paragraph (d)(5), a payor includes a middleman defined in § 1.6049-4(f)(4).

(i) An amount paid with respect to a notional principal contract is not required to be reported if the payment is made outside the United States (as defined in § 1.6049-5(e)) by a non-U.S. payor or a non-U.S. middleman.

(ii) An amount paid with respect to a notional principal contract is not required to be reported if the payment is made outside the United States (as defined in § 1.6049-5(e)) by a payor that has no actual knowledge that the payee is a U.S. person, and the payor is—

(A) A U.S. payor or U.S. middleman that is not a U.S. person (such as a controlled foreign corporation defined in section 957(a) or certain foreign corporations or foreign partnerships engaged in a U.S. trade or business); or

(B) A foreign branch of a U.S. bank. See § 1.6049-5(c)(5) for a definition of a U.S. payor, a U.S. middleman, a non-U.S. payor, and a non-U.S. middleman.

(e) *Payment made on behalf of another person—(1) In general.* A person that makes a payment in the course of its trade or business on behalf of another person is the payor that must make a return of information under this section with respect to that payment if the payment is described in paragraph (a) of this section and, under all the facts and circumstances, that person—

(i) Performs management or oversight functions in connection with the payment (this would exclude, for example, a person who performs mere administrative or ministerial functions

such as writing checks at another's direction); or

(ii) Has a significant economic interest in the payment (i.e., an economic interest that would be compromised if the payment were not made, such as by creation of a mechanic's lien on property to which the payment relates, or a loss of collateral).

(2) *Determination of payor obligated to report.* If two or more persons meet the requirements for making a return of information with respect to a payment, as set forth in paragraph (e)(1) of this section, the person obligated to report the payment is the person closest in the chain to the payee, unless the parties agree in writing that one of the other parties meeting the requirements set forth in paragraph (e)(1) of this section will report the payment.

(3) *Special rule for payment by employee to employer.* Notwithstanding the provisions of paragraph (e)(1) of this section, an employee acting in the course of his employment who makes a payment to his employer on behalf of another person is not required to make a return of information with respect to that payment.

(4) *Optional method to report.* A person that makes a payment on behalf of another person but is not required to make an information return under paragraph (e)(1) of this section may elect to do so pursuant to the procedures established by the Commissioner. See, e.g., Rev. Proc. 84-33 (1984-1 C.B. 502) (optional method for a paying agent to report and deposit amounts withheld for payors under the statutory provisions of backup withholding) (see § 601.601(d)(2) of this chapter).

(5) *Examples.* The provisions of this paragraph (e) are illustrated by the following examples:

Example 1. Bank B provides financing to C, a real estate developer, for a construction project. B makes disbursements from the account for labor, materials, services, and other expenses related to the construction project. In connection with the payments, B performs the following functions: approves payments to the general contractor or subcontractors; ensures that loan proceeds are properly applied and that all approved bills are properly paid to avoid mechanics' or materialmen's liens; conducts site inspections to determine whether work has been completed (but does not check the quality of

the work). B is performing management or oversight functions in connection with the payments and is subject to the information reporting requirements of section 6041 with respect to payments.

Example 2. Mortgage company D holds a mortgage on business property owned by E. When the property is damaged by a storm, E's insurance company issues a check payable to both D and E in settlement of E's claim. Pursuant to the contract between D and E, D holds the insurance proceeds in an escrow account and makes disbursements, according to E's instructions, to contractors and subcontractors performing repairs on the property. D is not performing management or oversight functions, but D has a significant economic interest in the payments because the purpose of the arrangement is to ensure that property on which D holds a mortgage is repaired or replaced. D is subject to the information reporting requirements of section 6041 with respect to the payments to contractors.

Example 3. Settlement agent F provides real estate closing services to real estate brokers and agents. F deposits money received from the buyer or lender in an escrow account and makes payments from the account to real estate agents or brokers, appraisers, land surveyors, building inspectors, or similar service providers according to the provisions of the real estate contract and written instructions from the lender. F may also make disbursements pursuant to oral instructions of the seller or purchaser at closing. F is not performing management or oversight functions and does not have a significant economic interest in the payments, and is not subject to the information reporting requirements of section 6041. For the rules relating to F's obligation to report the gross proceeds of the sale, see section 6045(e) and § 1.6045-4.

Example 4. Assume the same facts as in Example 3. In addition, the seller instructs F to hire a contractor to perform repairs on the property. F selects the contractor, negotiates the cost, monitors the progress of the project, and inspects the work to ensure it complies with the contract. With respect to the payments to the contractor, F is performing management or oversight functions and is subject to the information reporting requirements of section 6041.

Example 5. G is a rental agent who manages certain rental property on behalf of property owner H. G finds tenants, arranges leases, collects rent, responds to tenant inquiries regarding maintenance, and hires and makes payments to repairmen. G subtracts her commission and any maintenance payments from rental payments and remits the remainder to H. With respect to payments to repairmen, G is performing management or oversight functions and is subject to the information reporting requirements of section

6041. With respect to the payment of rent to H, G is subject to the information reporting requirements of section 6041 regardless of whether she performs management or oversight functions or has a significant economic interest in the payment. See § 1.6041-3(d) for rules relating to rental agents. See § 1.6041-1(f) to determine the amount that G should report to H as rent.

Example 6. Literary agent J receives a payment from publisher L of fees earned by J's client, author K. J deposits the payment into a bank account in J's name. From time to time and as directed by K, J makes payments from these funds to attorneys, managers, and other third parties for services rendered to K. After subtracting J's commission, J pays K the net amount. J does not order or direct the provision of services by the third parties to K, and J exercises no discretion in making the payments to the third parties or to K. J is not performing management or oversight functions and does not have a significant economic interest in the payments and is not subject to the information reporting requirements of section 6041 in connection with the payments to K or to the third parties. For the rules relating to L's obligation to report the payment of the fees to K, see paragraphs (a)(1)(i) and (f) of this section. For the rules relating to K's obligation to report the payment of the commission to J and the payments to the third parties for services, see paragraphs (a)(1)(i) and (d)(2) of this section.

Example 7. Attorney P deposits into a client trust fund a settlement payment from R, the defendant in a breach of contract action for lost profits in which P represented plaintiff Q. P makes payments from the client trust fund to service providers such as expert witnesses and private investigators for expenses incurred in the litigation. P decides whom to hire, negotiates the amount of payment, and determines that the services have been satisfactorily performed. In the event of a dispute with a service provider, P withholds payment until the dispute is settled. With respect to payments to the service providers, P is performing management or oversight functions and is subject to the information reporting requirements of section 6041.

Example 8. Assume the same facts as in *Example 7*. In addition, assume that after paying the service providers and deducting his legal fee, P pays Q the remaining funds that P had received from the settlement with R. With respect to the payment to Q, P is not performing management or oversight functions, does not have a significant economic interest in the payment, and is not subject to the information reporting requirements of section 6041. For the rules relating to R's obligation to report the payment of the settlement proceeds to P, see section 6045(f) and the regulations thereunder. For the rules relating to R's obligation to report the pay-

ment of the settlement proceeds to Q, see paragraphs (a)(1)(i) and (f) of this section. For the rules relating to Q's obligation to report the payment of attorney fees to P, see paragraphs (a)(1)(i) and (d)(2) of this section.

Example 9. Medical insurer S operates as the administrator of a health care program under a contract with a state. S makes payments of government funds to health care providers who provide care to eligible patients. S receives and reviews claims submitted by patients or health care providers, determines if the claims meet all the requirements of the program (e.g., that the care is authorized and that the patients are eligible beneficiaries), and determines the amount of payment. S is performing management or oversight functions and is subject to the information reporting requirements of section 6041 with respect to the payments.

Example 10. Race track employee T holds deposits made by horse owner U in a special escrow account in U's name. U enters into a contract with jockey V to ride U's horse in a race at the track. As directed by U, T pays V the fee for riding U's horse from U's escrow account. T is not performing management or oversight functions, does not have a significant economic interest in the payment, and is not subject to the information reporting requirements of section 6041. For the rules relating to U's obligation to report the payment of the fee to V, see paragraph (a)(1)(i) of this section.

Example 11. X is a certified public accountant employed by Firm Y, and is not a partner. Client Z pays X directly for accounting services. X remits the amount received to Y, as required by the terms of his employment. X does not have any reporting obligation with respect to the payment to Y. For the rules relating to Z's obligation to report the payment to Y for services, see paragraphs (a)(1)(i) and (d)(2) of this section.

Example 12. Bank contracts with Title Company with respect to the disbursement of funds on a construction loan. Pursuant to their arrangement, the contractor sends draw requests to Title Company, which inspects the work, verifies the amount requested, and then sends the draw request to Bank with supporting documents. Bank pays Title Company the amount of the draw request, and Title Company insures Bank against any loss if it cannot obtain the necessary lien waivers. Bank has a significant economic interest in the payment as a mortgagee, and Title Company exercises management or oversight over the payment. Since Title Company is closest in the chain to the contractor, Title Company should report the payment, unless the parties agree in writing that Bank will report the payment.

(f) *Amount to be reported when fees, expenses or commissions are deducted—(1) In general.* The amount to be reported

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as paid to a payee is the amount includible in the gross income of the payee (which in many cases will be the gross amount of the payment or payments before fees, commissions, expenses, or other amounts owed by the payee to another person have been deducted), whether the payment is made jointly or separately to the payee and another person. The Commissioner may, by guidance published in the Internal Revenue Bulletin, illustrate the circumstances under which the gross amount or less than the gross amount may be reported.

(2) **Examples.** The provisions of this paragraph (f) are illustrated by the following examples:

Example 1. Attorney P represents client Q in a breach of contract action for lost profits against defendant R. R settles the case for \$100,000 damages and \$40,000 for attorney fees. Under applicable law, the full \$140,000 is includible in Q's gross taxable income. R issues a check payable to P and Q in the amount of \$140,000. R is required to make an information return reporting a payment to Q in the amount of \$140,000. For the rules with respect to R's obligation to report the payment to P, see section 6045(f) and the regulations thereunder.

Example 2. Assume the same facts as in Example 1, except that R issues a check to Q for \$100,000 and a separate check to P for \$40,000. R is required to make an information return reporting a payment to Q in the amount of \$140,000. For the rules with respect to R's obligation to report the payment to P, see section 6045(f) and the regulations thereunder.

(g) **Payment made in medium other than cash.** If any payment required to be reported on Form 1099 is made in property other than money, the fair market value of the property at the time of payment is the amount to be included on such form.

(h) **When payment deemed made.** For purposes of a return of information, an amount is deemed to have been paid when it is credited or set apart to a person without any substantial limitation or restriction as to the time or manner of payment or condition upon which payment is to be made, and is made available to him so that it may be drawn at any time, and its receipt brought within his own control and disposition.

(i) **Payments made by the United States or a State.** Information returns on:

(1) Forms 1096 and 1099 and

(2) Forms W-3 and W-2 (when made under the provisions of § 1.6041-2)

of payments made by the United States or a State, or political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, shall be made by the officer or employee of the United States, or of such State, or political subdivision, or of the District of Columbia, or of such agency or instrumentality, as the case may be, having control of such payments or by the officer or employee appropriately designated to make such returns.

(j) **Effective date.** The provisions of paragraphs (b), (c), (e), and (f) apply to payments made after December 31, 2002.

[T.D. 6500, 25 FR 12108, Nov. 26, 1960, as amended by T.D. 6628, 27 FR 12794, Dec. 28, 1962; T.D. 6888, 31 FR 9205, July 6, 1966; T.D. 7284, 38 FR 20827, Aug. 3, 1973; T.D. 7580, 43 FR 60159, Dec. 26, 1978; T.D. 7888, 48 FR 17587, Apr. 25, 1983; T.D. 8458, 57 FR 61313, Dec. 24, 1992; T.D. 8734, 62 FR 53471, Oct. 14, 1997; T.D. 8804, 64 FR 11378, Mar. 9, 1999; T.D. 8881, 65 FR 32205, May 22, 2000; T.D. 9010, 67 FR 48756, July 26, 2002; T.D. 9270, 71 FR 47080, Aug. 16, 2006]

§ 1.6041-2 Return of information as to payments to employees.

(a)(1) **In general.** Wages, as defined in section 3401, paid to an employee are required to be reported on Form W-2. See section 6011 and the Employment Tax Regulations thereunder. All other payments of compensation, including the cash value of payments made in any medium other than cash, to an employee by his employer in the course of the trade or business of the employer must also be reported on Form W-2 if the total of such payments and the amount of the employee's wages (as defined in section 3401), if any, required to be reported on Form W-2 aggregates \$600 or more in a calendar year. For example, if a payment of \$700 was made to an employee and \$400 thereof represents wages subject to withholding under section 3402 and the remaining \$300 represents compensation not subject to withholding, such wages and compensation must both be reported on Form W-2. A separate Form W-2 shall be furnished for each employee for whom a return must be made. At the

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Example 9 Gross proceeds (contingencies). The facts are the same as in example (8), except that the agreement provides that the minimum amount K will receive (including the downpayment) is \$570,000. Thus, under paragraph (i)(3)(iii) of this section, assuming all contingencies are satisfied, the maximum amount of gross proceeds cannot be determined with certainty. The greatest amount that can be determined with certainty at the time of the closing, assuming all contingencies are satisfied, is \$570,000, the minimum amount stated in the agreement. Therefore, \$570,000 is the "maximum determinable proceeds" under paragraph (i)(3)(iii) of this section and is the amount reported. In addition, (to the extent required by the Form 1099 and its instructions) the reporting person must indicate that the gross proceeds cannot be determined with certainty. See paragraph (h)(1)(iv)(C) of this section.

(s) *Effective date.* This section is effective for real estate transactions with dates of closing (as determined under paragraph (h)(2)(ii) of this section) that occur on or after January 1, 1991.

[T.D. 8323, 55 FR 51284, Dec. 13, 1990; 56 FR 559, Jan. 7, 1991; 56 FR 3419, Jan. 30, 1991; T.D. 8895, 65 FR 50407, Aug. 18, 2000]

§ 1.6045-5 Information reporting on payments to attorneys.

(a) *Requirement of reporting—(1) In general.* Except as provided in paragraph (c) of this section, every payor engaged in a trade or business who, in the course of that trade or business, makes payments aggregating \$600 or more during a calendar year to an attorney in connection with legal services (whether or not the services are performed for the payor) must file an information return for such payments. The information return must be filed on the form and in the manner required by the Commissioner. For the time and place for filing the form, see § 1.6041-6. For definitions of the terms under this section, see paragraph (d) of this section. The requirements of this paragraph (a)(1) apply whether or not—

(i) A portion of a payment is kept by the attorney as compensation for legal services rendered; or

(ii) Other information returns are required with respect to some or all of a payment under other provisions of the Internal Revenue Code and the regulations thereunder.

(2) *Information required.* The information return required under paragraph

(a)(1) of this section must include the following information:

(i) The name, address, and taxpayer identifying number (TIN) (as defined in section 7701(a)) of the payor;

(ii) The name, address, and TIN of the payee attorney;

(iii) The amount of the payment or payments (as defined in paragraph (d)(5) of this section); and

(iv) Any other information required by the Commissioner in forms, instructions or publications.

(3) *Requirement to furnish statement.* A person required to file an information return under paragraph (a)(1) of this section must furnish to the attorney a written statement of the information required to be shown on the return. This requirement may be met by furnishing a copy of the return to the attorney. The written statement must be furnished to the attorney on or before January 31 of the year following the calendar year in which the payment was made.

(b) *Special rules—(1) Joint or multiple payees—(i) Check delivered to one payee attorney.* If more than one attorney is listed as a payee on a check, an information return must be filed under paragraph (a)(1) of this section with respect to the payee attorney to whom the check is delivered.

(ii) *Check delivered to payee non-attorney.* If an attorney is listed as a payee on a check but the check is delivered to a nonattorney who is a payee on the check, an information return must be filed under paragraph (a)(1) of this section with respect to the payee attorney listed on the check. If more than one attorney is listed as a payee on a check but the check is delivered to a nonattorney who is a payee on the check, the information return must be filed with respect to the first-listed payee attorney on the check.

(iii) *Check delivered to nonpayee.* If two or more attorneys are listed as payees on a check, but the check is delivered to a person who is not a payee on the check, an information return must be filed under paragraph (a)(1) of this section with respect to the first-listed payee attorney on the check.

(2) *Attorney required to report payments made to other attorneys.* If an information return is required to be filed with

respect to a payee attorney under paragraph (b)(1) of this section, the attorney with respect to whom the information return is required to be filed (tier-one attorney) must file an information return under this section for any payment that the tier-one attorney makes to other payee attorneys with respect to that check, regardless of whether the tier-one attorney is a payor under paragraph (d)(3) of this section.

(c) *Exceptions.* Notwithstanding paragraphs (a) and (b) of this section, a return of information is not required under section 6045(f) with respect to the following payments:

(1) Payments of wages or other compensation paid to an attorney by the attorney's employer.

(2) Payments of compensation or profits paid or distributed to its partners by a partnership engaged in providing legal services.

(3) Payments of dividends or corporate earnings and profits paid to its shareholders by a corporation engaged in providing legal services.

(4) Payments made by a person to the extent that the person is required to report with respect to the same payee the payments or portions thereof under section 6041(a) and § 1.6041-1(a) (or would be required to so report the payments or portions thereof but for the dollar amount limitation contained in section 6041(a) and § 1.6041-1(a)).

(5) Payments made to a nonresident alien individual, foreign partnership, or foreign corporation that is not engaged in trade or business within the United States, and does not perform any labor or personal services in the United States, in the taxable year to which the payment relates. For how a payor determines whether a payment is subject to this exception, see § 1.6041-4(a)(1).

(6) Payments made to an attorney in the attorney's capacity as the person responsible for closing a transaction within the meaning of § 1.6045-4(e)(3) for the sale or exchange or financing of any present or future ownership interest in real estate described in § 1.6045-4(b)(2)(i) through (iv).

(7) Payments made to an attorney in the attorney's capacity as a trustee in bankruptcy under Title 11, United States Code.

(d) *Definitions.* The following definitions apply for purposes of this section:

(1) *Attorney* means a person engaged in the practice of law, whether as a sole proprietorship, partnership, corporation, or joint venture.

(2) *Legal services* means all services related to, or in support of, the practice of law performed by, or under the supervision of, an attorney.

(3) *Payor* means a person who makes a payment if that person is an obligor on the payment, or the obligor's insurer or guarantor. For example, a payor includes—

(i) A person who pays a settlement amount to an attorney of a client who has asserted a tort, contract, violation of law, or workers' compensation claim against that person; and

(ii) The person's insurer if the insurer pays the settlement amount to the attorney.

(4) *Payments to an attorney* include payments by check or other method such as cash, wire or electronic transfer. Payment by check to an attorney means a check on which the attorney is named as a sole, joint, or alternative payee. The attorney is the payee on a check written to the attorney's client trust fund. However, the attorney is not a payee when the attorney's name is included on the payee line as "in care of," such as a check written to "client c/o attorney," or if the attorney's name is included on the check in any other manner that does not give the attorney the right to negotiate the check.

(5) *Amount of the payment* means the amount tendered (e.g., the amount of a check) plus the amount required to be withheld from the payment under section 3406(a)(1), because a condition for withholding exists with respect to the attorney for whom an information return is required to be filed under paragraph (a)(1) of this section.

(e) *Attorney to furnish TIN.* A payor that is required to file an information return under this section must solicit a TIN from the attorney at or before the time the payor makes a payment to the attorney. The attorney must furnish the correct TIN to the payor, but is not required to certify the TIN. A payment for which a return of information is required under this section is

1.6045-5(d)(1)

1.6045-5(d)(4)

subject to backup withholding under section 3406 and the regulations thereunder.

(f) *Examples.* The following examples illustrate the provisions of this section. The examples assume that P is not a payor with respect to A, the attorney, under section 6041. See section 6041 and the regulations thereunder for rules regarding whether P is required under section 6041 to file information returns with respect to C. The examples are as follows:

Example 1. One check—joint payees—taxable to claimant. Employee C, who sues employer P for back wages, is represented by attorney A. P settles the suit for \$300,000. The \$300,000 represents taxable wages to C under existing legal principles. P writes a settlement check payable jointly to C and A in the amount of \$200,000, net of income and FICA tax withholding with respect to C. P delivers the check to A. A retains \$100,000 of the payment as compensation for legal services and disburses the remaining \$100,000 to C. P must file an information return with respect to A for \$200,000 under paragraph (a)(1) of this section. P also must file an information return with respect to C under sections 6041 and 6051, in the amount of \$300,000. See §§ 1.6041-1(f) and 1.6041-2.

Example 2. One check—joint payees—excludable to claimant. C, who sues corporation P for damages on account of personal physical injuries, is represented by attorney A. P settles the suit for a \$300,000 damage payment that is excludable from C's gross income under section 104(a)(2). P writes a \$300,000 settlement check payable jointly to C and A and delivers the check to A. A retains \$120,000 of the payment as compensation for legal services and remits the remaining \$180,000 to C. P must file an information return with respect to A for \$300,000 under paragraph (a)(1) of this section. P does not file an information return with respect to tax-free damages paid to C.

Example 3. Separate checks—taxable to claimant. C, an individual plaintiff in a suit for lost profits against corporation P, is represented by attorney A. P settles the suit for \$300,000, all of which will be includible in C's gross income. A requests P to write two checks, one payable to A in the amount of \$100,000 as compensation for legal services and the other payable to C in the amount of \$200,000. P writes the checks in accordance with A's instructions and delivers both checks to A. P must file an information return with respect to A for \$100,000 under paragraph (a)(1) of this section. Pursuant to § 1.6041-1(a) and (f), P must file an information return with respect to C for the \$300,000.

Example 4. Check made payable to claimant, but delivered to nonpayee attorney. Corporation P is a defendant in a suit for damages in which C, the plaintiff, has been represented by attorney A throughout the proceeding. P settles the suit for \$300,000. Pursuant to a request by A, P writes the \$300,000 settlement check payable solely to C and delivers it to A at A's office. P is not required to file an information return under paragraph (a)(1) of this section with respect to A, because there is no payment to an attorney within the meaning of paragraph (d)(4) of this section.

Example 5. Multiple attorneys listed as payees. Corporation P, a defendant, settles a lost profits suit brought by C for \$300,000 by issuing a check naming C's attorneys, Y, A, and Z, as payees in that order. Y, A, and Z do not belong to the same law firm. P delivers the payment to A's office. A deposits the check proceeds into a trust account and makes payments by separate checks to Y of \$30,000 and to Z of \$15,000, as compensation for legal services, pursuant to authorization from C to pay these amounts. A also makes a payment by check of \$155,000 to C. A retains \$100,000 as compensation for legal services. P must file an information return for \$300,000 with respect to A under paragraphs (a)(1) and (b)(1)(i) of this section. A, in turn, must file information returns with respect to Y of \$30,000 and to Z of \$15,000 under paragraphs (a)(1) and (b)(2) of this section because A is not required to file information returns under section 6041 with respect to A's payments to Y and Z because A's role in making the payments to Y and Z is merely ministerial. See § 1.6041-1(e)(1), (e)(2) and (e)(5) *Example 7* for information reporting requirements with respect to A's payments to Y and Z. As described in *Example 3*, P must also file an information return with respect to C, pursuant to § 1.6041-1(a) and (f).

Example 6. Amount of the payment—attorney does not provide TIN. (i) Corporation P, a defendant, settles a suit brought by C for \$300,000 of damages. P will pay the damages by a joint check to C and his attorney, A. A failed to furnish P with A's TIN. P is required to deduct and withhold 28 percent tax from the \$300,000 under section 3406(a)(1)(A) and paragraph (e) of this section. P writes the check to C and A as joint payees, in the amount of \$216,000. P also must file an information return with respect to A under paragraph (a)(1) of this section in the amount of \$300,000, as prescribed in paragraph (d)(5) of this section. If the damages are reportable under section 6041 because they are not excludable from gross income under existing legal principles, and are not subject to any exception under section 6041, P must also file an information return with respect to C pursuant to § 1.6041-1(a) and (f) in the amount of \$300,000.

(ii) Rather than paying by joint check to C and A, P will pay the damages by a joint

check to C and F, A's law firm. F failed to furnish its TIN to P. P is required to deduct and withhold 28 percent tax from the \$300,000 under section 3406(a)(1)(A) and paragraph (e) of this section. P writes the check to C and F as joint payees, in the amount of \$216,000. P also must file an information return with respect to F under paragraph (a)(1) of this section in the amount of \$300,000, as prescribed in paragraph (d)(5) of this section. If the damages are reportable under section 6041 because they are not excludable from gross income under existing legal principles, and are not subject to any exception under section 6041, P must also file an information return with respect to C pursuant to § 1.6041-1(a) and (f) in the amount of \$300,000.

Example 7. Home mortgage lending transaction. (i) Individual P agrees to purchase a house that P will use solely as a residence. P obtains a loan from lender L to finance a portion of the cost of acquiring the house. L disburses loan proceeds of \$300,000 to attorney A, who is the settlement agent, by a check naming A as the sole payee. A, in turn, writes checks from the loan proceeds and from other funds provided by P to the persons involved in the purchase of the house, including a check for \$800 to attorney B, whom P hired to provide P with legal services relating to the closing.

(ii) P, not L, is the payor of the payment to A under paragraph (d)(3) of this section. P, however, is not required to file an information return with respect to A under paragraph (a)(1) of this section because the payment was not made in the course of P's trade or business. Even if P made the payment in the course of P's trade or business, P would not be required to file an information return under section 6045(f) with respect to A because P is excepted under paragraph (c)(6) of this section.

(iii) A is not required to file an information return under paragraph (a)(1) of this section with respect to the payment to B because A is not the payor as that term is defined under paragraph (d)(3) of this section. A is not required to file an information return under paragraph (b)(2) with respect to the payment to B because A was listed as sole payee on the check it received from P. See section 6041 and § 1.6041-1(e) for whether A or L must file information returns under that section. See section 6045(e) and § 1.6045-4 for whether A is required to file an information return under that section.

Example 8. Business mortgage lending transaction. The facts are the same as in Example 7 except that P buys real property that P will use in a trade or business. P, not L, is the payor of the payment to A under paragraph (d)(3) of this section. P, however, is not required to file an information return under section 6045(f) with respect to A because P is excepted under paragraph (c)(6) of this section. A is not required to file an in-

formation return under paragraphs (a) or (b)(2) of this section with respect to the payment to B. See section 6041 and § 1.6041-1(e) to determine whether P or L must file an information return under that section with respect to the payment to A, and whether P or A must file a return with respect to the payment to B. See section 6045(e) for rules regarding whether A is required to file information returns under that section.

Example 9. Qualified settlement fund. Corporation P agrees to settle for \$300,000 a class action lawsuit brought by attorney A on behalf of a claimant class. Pursuant to the settlement agreement and a preliminary order of approval by a court, A establishes a bank account in the name of Q Settlement Fund, which is a qualified settlement fund (QSF) under § 1.468B-1. A is also designated by the court as the administrator of the QSF. Corporation P transfers \$300,000 by wire in Year 1 to A, who deposits the funds into the Q Settlement Fund. In Year 2, the court approves an award of attorney's fees of \$105,000 for A. In Year 2, Q Settlement Fund delivers \$105,000 to A. P is required to file an information return under paragraph (a) of this section with respect to A for Year 1 for the \$300,000 payment it made to A. The Q Settlement Fund is required to file an information return under section 6041(a) and § 1.468B-2(i)(2) with respect to A for Year 2 for the \$105,000 payment it made to A.

(g) **Cross reference to penalties.** See the following sections regarding penalties for failure to comply with the requirements of section 6045(f) and this section:

(1) Section 6721 for failure to file a correct information return.

(2) Section 6722 for failure to furnish a correct payee statement.

(3) Section 6723 for failure to comply with other information reporting requirements (including the requirement to furnish a TIN).

(4) Section 7203 for willful failure to supply information (including a TIN).

(h) **Effective date.** The rules in this section apply to payments made on or after January 1, 2007.

[T.D. 9270, 71 FR 39551, July 13, 2006, as amended at 71 FR 47080, Aug. 16, 2006]

§ 1.6046-1 Returns as to organization or reorganization of foreign corporations and as to acquisitions of their stock.

(a) **Officers or directors.**—(1) *When liability arises on January 1, 1963.* Each U.S. citizen or resident who is on January 1, 1963, an officer or director of a

Treasury Regulation 1.6041-1 and 1.6045-5
Examples - 2/12/2008

P = Payor; C= Claimant; A = Attorney; I = Insurance Company
R = Central Collections

ONE CHECK, ONE PAYEE

- | | |
|---|---|
| 1 Check made payable to claimant
delivered to nonpayee attorney or
delivered to claimant
taxable to claimant | P settles lawsuit for \$300,000
P writes check payable to C for \$300,000
P delivers check to A or to C
P files 1099 to C for \$300,000; Object code 4117; Box 3
P does not file 1099 to A because there was no payment to attorney
COFRS 1099 subsystem automatically issues correct 1099 |
| 2 Check made payable to claimant
delivered to nonpayee attorney or
delivered to claimant
non-taxable to claimant | P settles lawsuit for \$300,000; property damage (non-taxable)
P writes check payable to C for \$300,000
P delivers check to A or to C
P does not file 1099 to C - tax free damages - Object code 4112
P does not file 1099 to A because there was no payment to attorney
COFRS 1099 subsystem automatically issues correct 1099 |
| 3 Check made payable to claimant
non-taxable payment to claimant
taxable interest to claimant | P settles lawsuit for \$300,000, including \$270,000 non-taxable, \$30,000 interest
P writes check payable to C for \$300,000
P delivers check to C
P does not file 1099 to C - tax free damages - Object code 4112
P files 1099 INT to C for \$30,000; Object code 4116; Box 1
COFRS 1099 subsystem automatically issues correct 1099 |
| 4 Check made payable to attorney
delivered to attorney
taxable to claimant | P settles lawsuit for \$300,000
P writes check payable to A for \$300,000
P delivers check to A
The entire amount could be for legal fees or A could pay C a portion of the
settlement amount
P files 1099 to C for \$300,000 - Object code 4117; Box 3
P files 1099 to A for \$300,000 - Object code 4118; Box 14 |
| 5 Check made payable to attorney
delivered to attorney
non-taxable to claimant | P settles lawsuit for \$300,000; personal physical injury (non-taxable)
P writes check payable to A for \$300,000
A pays C \$200,000 and retains \$100,000 for legal fees
P delivers check to A
P does not file 1099 to C for \$300,000 - tax free damages - Object code 4112
P files 1099 to A for \$300,000 - Object code 4118; Box 14 |
| 6 Check made payable to insurance company
non-taxable to claimant | P settles lawsuit for \$300,000
I is insurance company and is subrogee to C
P writes check payable to I for \$300,000
P does not file 1099 to C - tax free damages
P does not file 1099 to I - Object code 4112
COFRS 1099 subsystem automatically issues correct 1099 |

Treasury Regulation 1.6041-1 and 1.6045-5
Examples - 2/12/2008

P = Payor; C= Claimant; A = Attorney; I = Insurance Company
R = Central Collections

SEPARATE CHECKS

- | | |
|--|---|
| 7 Separate checks - C and A
taxable to claimant - non wages | P settles lawsuit for \$300,000
P writes separate checks payable to C for \$200,000 and to A for \$100,000
P delivers separate check to C and separate check to A
P files 1099 to C for \$300,000; Object code 4117; Box 3
P files 1099 to A for \$100,000; Object code 4119; Box 7 |
| 8 Separate checks - C and A
taxable to claimant - wages | P settles lawsuit for \$300,000
P writes separate checks payable to C for \$200,000 and to A for \$100,000
P delivers separate check to C and separate check to A
P files W2 to C for \$200,000
P files 1099 to C for \$100,000; Object code 4117; Box 3
P files 1099 to A for \$100,000; Object code 4119; Box 7 |
| 9 Separate checks - C and A
excludable to claimant (tax free) | P settles lawsuit for \$300,000
P writes separate checks payable to C for \$200,000 and to A for \$100,000
P delivers separate check to C and separate check to A
P does not file 1099 to C for \$200,000 - tax free - Object code 4112
P files 1099 to A for \$100,000; Object code 4119; Box 7
COFRS 1099 subsystem automatically issues correct 1099 |
| 10 Separate checks - R and A
taxable to claimant
to satisfy a liability of C | P settles lawsuit for \$300,000
P writes separate checks payable to R for \$200,000 and A for \$100,000
R is Central Collections, a party to which C has a liability
P delivers separate check to R and separate check to A
P files 1099 to C for \$300,000; Object code 4117; Box 3
P files 1099 to A for \$100,000; Object code 4119; Box 7 |
| 11 Separate checks and joint check
Separate check to R; joint to A & C or
to A's trust account
taxable to claimant
to satisfy a liability of C | P settles lawsuit for \$300,000
P writes separate checks payable to R for \$200,000 and A & C for \$100,000
or to A's trust account for \$100,000
R is Central Collections, a party to which C has a liability
P delivers separate check to R and separate check to A or C
P files 1099 to C for \$300,000; Object code 4117; Box 3
P files 1099 to A for \$100,000; Object code 4118; Box 14 |

Treasury Regulation 1.6041-1 and 1.6045-5
Examples - 2/12/2008

P = Payor; C= Claimant; A = Attorney; I = Insurance Company
R = Central Collections

JOINT PAYEES

- | | |
|---|--|
| 12 One check
joint payees
taxable to claimant - non-wages settlement
attorney fees not known | P settles lawsuit for \$300,000; taxable settlement (non-wages) to C
P writes check payable jointly to C and A for \$300,000
P delivers check to A
A retains \$100,000 for legal services and disburses \$200,000 to C
P files 1099 to C for \$300,000; Object code 4117; Box 3
P files 1099 to A for \$300,000; Object code 4118; Box 14 |
| 13 One check
joint payees
excludable to claimant (tax free) | P settles lawsuit for \$300,000; personal physical injury (non-taxable)
P writes check payable jointly to C and A for \$300,000
P delivers check to A
A retains \$100,000 for legal services and disburses \$200,000 to C
P does not file 1099 to C for tax free damages - Object code 4112
P files 1099 to A for \$300,000; Object code 4118; Box 14
COFRS 1099 subsystem automatically issues correct 1099 |
| 14 One check
Multiple attorneys listed as payees | P settles lawsuit for \$300,000
P writes check payable to C's attorneys A, Y, and Z for \$300,000
Y, A, and Z belong to separate law firms
P delivers check to A
A deposits the check proceeds
A writes separate checks for legal services to Y for \$30,000 and Z for \$15,000
A writes separate check to C for \$155,000
P files 1099 to C for \$300,000; Object code 4117; Box 3
P files 1099 to A for \$300,000; Object code 4118; Box 14
A files 1099 to Y for \$30,000 and Z for \$15,000 |
| 15 One check
Joint payees
attorney does not provide TIN | P settles lawsuit for \$300,000
A fails to furnish P with A's TIN
P is required to withhold 28% from A
P writes check payable jointly to C and A for \$216,000 (\$300,000 less \$84,000)
P delivers check to A
P files 1099 to C for \$300,000; Object code 4117; Box 3
P files 1099 to A for \$300,000; Object code 4118; Box 14 |

1099-MISC Reportable Payments Chart

The following chart is an overview of income types and amounts that are 1099 reportable on Form 1099-MISC.

Income Type	Amount	FORM 1099-MISC
Box 1	\$600	Rents: Rentals and leases of land, buildings, homes, offices, conference rooms, motor vehicles, office and other equipment; Surface Royalties Rental assistance payments to property owners
Box 2	\$10	Royalties
Box 3	\$600	Other Income: Jury Payments Reportable Damages (Contact Phil Holtmann 303 866-3809 at SCO for guidance) Value of awards & prizes that are not for services performed Honoraria
	Any amount	Deceased employee wages paid to an estate or beneficiary
Box 4	Any amount	Fed Income Tax Withheld – Backup Withholding
Box 6	\$600	Medical and Health Care Payments: Doctors, dentists, optometrists, counselors, home health care workers, veterinarians Medical billing services, clinics, hospitals, and nursing homes
Box 7	\$600	Non Employee Compensation: Fees, Bonuses, Commissions Value of awards and prizes for services performed Personal, professional and technical services performed by independent contractors including, but not limited to advertising, appraisal, architectural, auditing, accounting, computer programming, consulting, cleaning, engineering, laundry, program administration Legal fees to attorneys (including corporations) accountants, architects Expert witnesses Payments for maintenance and repair services including parts and materials if incidental to the repair Auto, mileage, and travel reimbursements to non employees for which the non employee does not account to the payer Entertainers Taxable fringe benefits to non employees Vacation allowance to non employees Gross oil and gas payments for a working interest Commissions paid to licensed lottery ticket sales agents
Box 14	Any amount	Gross Proceeds Paid to Attorney or Law Firm: If payment is made to an attorney in connection with legal services and the attorney fee cannot be determined, the total amount paid (gross proceeds) must be reported in this box

☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	OMB No. 1545-0115 2007 Form 1099-MISC		Miscellaneous Income	
		\$				
		2 Royalties				
PAYER'S federal identification number		RECIPIENT'S identification number		3 Other income	4 Federal income tax withheld	Copy B For Recipient
				\$	\$	
				5 Fishing boat proceeds	6 Medical and health care payments	
RECIPIENT'S name Street address (including apt. no.) City, state, and ZIP code		\$	\$	This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.		
		7 Nonemployee compensation	8 Substitute payments in lieu of dividends or interest			
		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds			
Account number (see instructions)		11	12			
		13 Excess golden parachute payments	14 Gross proceeds paid to an attorney			
15a Section 409A deferrals		15b Section 409A income		16 State tax withheld	17 State/Payer's state no.	18 State income
				\$	\$	\$

Form **1099-MISC**

(keep for your records)

Department of the Treasury - Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give form to the
requester. Do not
send to the IRS.

Print or type
See Specific Instructions on page 2.

Name (as shown on your income tax return)

Business name, if different from above

Check appropriate box: ☐ Individual/Sole proprietor ☐ Corporation ☐ Partnership
☐ Limited liability company. Enter the tax classification (D=disregarded entity, C=corporation, P=partnership) ▶
☐ Other (see instructions) ▶

☐ Exempt
payee

Address (number, street, and apt. or suite no.)

Requester's name and address (optional)

City, state, and ZIP code

List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on Line 1 to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Social security number

or

Employer identification number

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. See the instructions on page 4.

Sign
Here

Signature of
U.S. person ▶

Date ▶

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

Note. If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.

The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity,

- The U.S. grantor or other owner of a grantor trust and not the trust, and
- The U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

Foreign person. If you are a foreign person, do not use Form W-9. Instead, use the appropriate Form W-8 (see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

Nonresident alien who becomes a resident alien. Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a "saving clause." Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

Example. Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity not subject to backup withholding, give the requester the appropriate completed Form W-8.

What is backup withholding? Persons making certain payments to you must under certain conditions withhold and pay to the IRS 28% of such payments. This is called "backup withholding." Payments that may be subject to backup withholding include interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester,
2. You do not certify your TIN when required (see the Part II instructions on page 3 for details),
3. The IRS tells the requester that you furnished an incorrect TIN,

4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or

5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See the instructions below and the separate Instructions for the Requester of Form W-9.

Also see *Special rules for partnerships* on page 1.

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

Specific Instructions

Name

If you are an individual, you must generally enter the name shown on your income tax return. However, if you have changed your last name, for instance, due to marriage without informing the Social Security Administration of the name change, enter your first name, the last name shown on your social security card, and your new last name.

If the account is in joint names, list first, and then circle, the name of the person or entity whose number you entered in Part I of the form.

Sole proprietor. Enter your individual name as shown on your income tax return on the "Name" line. You may enter your business, trade, or "doing business as (DBA)" name on the "Business name" line.

Limited liability company (LLC). Check the "Limited liability company" box only and enter the appropriate code for the tax classification ("D" for disregarded entity, "C" for corporation, "P" for partnership) in the space provided.

For a single-member LLC (including a foreign LLC with a domestic owner) that is disregarded as an entity separate from its owner under Regulations section 301.7701-3, enter the owner's name on the "Name" line. Enter the LLC's name on the "Business name" line.

For an LLC classified as a partnership or a corporation, enter the LLC's name on the "Name" line and any business, trade, or DBA name on the "Business name" line.

Other entities. Enter your business name as shown on required federal tax documents on the "Name" line. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on the "Business name" line.

Note. You are requested to check the appropriate box for your status (individual/sole proprietor, corporation, etc.).

Exempt Payee

If you are exempt from backup withholding, enter your name as described above and check the appropriate box for your status, then check the "Exempt payee" box in the line following the business name, sign and date the form.

Generally, individuals (including sole proprietors) are not exempt from backup withholding. Corporations are exempt from backup withholding for certain payments, such as interest and dividends.

Note. If you are exempt from backup withholding, you should still complete this form to avoid possible erroneous backup withholding.

The following payees are exempt from backup withholding:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2),

2. The United States or any of its agencies or instrumentalities,

3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities,

4. A foreign government or any of its political subdivisions, agencies, or instrumentalities, or

5. An international organization or any of its agencies or instrumentalities.

Other payees that may be exempt from backup withholding include:

6. A corporation,

7. A foreign central bank of issue,

8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States,

9. A futures commission merchant registered with the Commodity Futures Trading Commission,

10. A real estate investment trust,

11. An entity registered at all times during the tax year under the Investment Company Act of 1940,

12. A common trust fund operated by a bank under section 584(a),

13. A financial institution,

14. A middleman known in the investment community as a nominee or custodian, or

15. A trust exempt from tax under section 664 or described in section 4947.

The chart below shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 15.

IF the payment is for . . .	THEN the payment is exempt for . . .
Interest and dividend payments	All exempt payees except for 9
Broker transactions	Exempt payees 1 through 13. Also, a person registered under the Investment Advisers Act of 1940 who regularly acts as a broker
Barter exchange transactions and patronage dividends	Exempt payees 1 through 5
Payments over \$600 required to be reported and direct sales over \$5,000 ¹	Generally, exempt payees 1 through 7

¹ See Form 1099-MISC, Miscellaneous Income, and its instructions.

² However, the following payments made to a corporation (including gross proceeds paid to an attorney under section 6045(f), even if the attorney is a corporation) and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, and payments for services paid by a federal executive agency.

Part I. Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN. However, the IRS prefers that you use your SSN.

If you are a single-member LLC that is disregarded as an entity separate from its owner (see *Limited liability company (LLC)* on page 2), enter the owner's SSN (or EIN, if the owner has one). Do not enter the disregarded entity's EIN. If the LLC is classified as a corporation or partnership, enter the entity's EIN.

Note. See the chart on page 4 for further clarification of name and TIN combinations.

How to get a TIN. If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local Social Security Administration office or get this form online at www.ssa.gov. You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at www.irs.gov/businesses and clicking on Employer Identification Number (EIN) under Starting a Business. You can get Forms W-7 and SS-4 from the IRS by visiting www.irs.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

If you are asked to complete Form W-9 but do not have a TIN, write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

Note. Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

Caution: A disregarded domestic entity that has a foreign owner must use the appropriate Form W-8.

Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if items 1, 4, and 5 below indicate otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). Exempt payees, see *Exempt Payee* on page 2.

Signature requirements. Complete the certification as indicated in 1 through 5 below.

1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983. You must give your correct TIN, but you do not have to sign the certification.

2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983. You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

3. Real estate transactions. You must sign the certification. You may cross out item 2 of the certification.

4. Other payments. You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions. You must give your correct TIN, but you do not have to sign the certification.

What Name and Number To Give the Requester

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account ¹
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor ²
4. a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee
b. So-called trust account that is not a legal or valid trust under state law	The actual owner ¹
5. Sole proprietorship or disregarded entity owned by an individual	The owner ³
For this type of account:	Give name and EIN of:
6. Disregarded entity not owned by an individual	The owner
7. A valid trust, estate, or pension trust	Legal entity ⁴
8. Corporate or LLC electing corporate status on Form 8832	The corporation
9. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
10. Partnership or multi-member LLC	The partnership
11. A broker or registered nominee	The broker or nominee
12. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity

¹ List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

² Circle the minor's name and furnish the minor's SSN.

³ You must show your individual name and you may also enter your business or "DBA" name on the second name line. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

⁴ List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.) Also see *Special rules for partnerships* on page 1.

Note. If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

Secure Your Tax Records from Identity Theft

Identity theft occurs when someone uses your personal information such as your name, social security number (SSN), or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

Call the IRS at 1-800-829-1040 if you think your identity has been used inappropriately for tax purposes.

Victims of identity theft who are experiencing economic harm or a system problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

Protect yourself from suspicious emails or phishing schemes.

Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to phishing@irs.gov. You may also report misuse of the IRS name, logo, or other IRS personal property to the Treasury Inspector General for Tax Administration at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at: spam@uce.gov or contact them at www.consumer.gov/idtheft or 1-877-IDTHEFT(438-4338).

Visit the IRS website at www.irs.gov to learn more about identity theft and how to reduce your risk.

Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons who must file information returns with the IRS to report interest, dividends, and certain other income paid to you, mortgage interest you paid, the acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA, or Archer MSA or HSA. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. The IRS may also provide this information to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. possessions to carry out their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You must provide your TIN whether or not you are required to file a tax return. Payers must generally withhold 28% of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to a payer. Certain penalties may also apply.

<u>OGRP</u>	<u>OTYP</u>	<u>OCAT</u>	<u>OCLS</u>	<u>OBJT</u>	<u>ACCOUNT NAME</u>	<u>DEFINITION/DESCRIPTION/USES</u>
20	31	31	324	3124	Printing/Copy Supplies	This code is used to record charges for the purchase of printing and copy supplies and materials such as paper and toner.
20	31	31	327	3127	Road Maintenance	This code is used to record charges for the purchase of road maintenance materials such as sand and gravel and not for other maintenance materials or supplies.
20	31	31	328	3128	Non-capitalized Equipment	This code is used to record the cost of all equipment that does not meet the current capitalization requirements. State Fiscal Rule 1-10 has the definition of what equipment should be capitalized. An agency may have a policy for capitalizing equipment at a lesser dollar value than the Fiscal Rules.
20	31	31	319	3129	Pharmaceuticals	This code is used to record charges for the purchase of all drugs and vaccines purchased for the treatment or prevention of disease in individuals or animals.
20	31	31	319	3130	Non-medical Laboratory and Supplies	This code is used to record charges for the purchase of non-medical laboratory and supplies such as test tubes, slides and chemicals.
20	31	31	316	3216	Leased Software	This code is used to record charges for leased software. Purchases of software or related ADP equipment or supplies should not be charged to this account.
20	41	41	410	4100	Other Operating Expenses	This is a miscellaneous code for any operating expense that cannot be classified elsewhere (Except for higher education institutions). It should only be used when no other appropriate account is available.
20	41	41	411	4111	Prizes and Awards	This code is used to record payments for prizes and awards, except for such payments made to state employees (See codes 1340 and 1350). Examples include lottery promotional prizes and state fair premiums.
20	41	41	411	4112	Actual Damages - Physical Injury/Illness	This code is used for payments related to non-punitive actual damages attributable to physical injury or illness such as worker's compensation claims. This code should not be used to record punitive damages, emotional distress or pain and suffering caused by a physical injury or illness. This code is 1099 reportable.
20	41	41	411	4113	Actual Damages - Property	This code is used to record payments made for damages to a claimants property. These payments are not 1099 reportable.

<u>OGRP</u>	<u>OTYP</u>	<u>OCAT</u>	<u>OCLS</u>	<u>OBJT</u>	<u>ACCOUNT NAME</u>	<u>DEFINITION/DESCRIPTION/USES</u>
20	41	41	444	4114	Punitive Damages - Physical Injury/Illness	This code is used for payments made as punishment for willful, malicious, or fraudulent behavior related to a physical injury or illness that are in addition to the actual damages incurred by the claimant. Payments charged to this code are 1099 reportable.
20	41	41	411	4117	Reportable Claims against State	This account is used for payments made to claimants for things such as employment compromise agreements, lost profit claims, or emotional distress that are not reportable as wages or back pay. Amounts charged to this code should be charged against a special purpose or operating expense long bill line item.
20	41	41	411	4118	Gross Proceeds to Attorneys	Used to record payments for gross proceeds paid to an attorney or law firm originating from a claim against the state when it is not known how much of the payment represents attorney fees and regardless of whether the attorney is the exclusive payee. Payments charged to this code are 1099 reportable.
20	41	41	411	4119	Claimant Attorney Fees	This code is used to record payments made to a claimant's attorney or law firm for legal representation on a claim against the state. If the payment represents more than just the legal fees, code 4118 should be used. Payments charged to this code are 1099 reportable.
20	41	41	414	4140	Dues and Memberships	This code is used to record charges related to dues or memberships. These should generally be paid on behalf of the state or for an individual who is representing the state.
20	41	41	418	4180	Official Functions	This code is used to record charges for official functions. In Fiscal Rule 2-7 there is a definition of what is appropriately charged to official functions. Training is not an official function.
20	41	41	418	4181	Customer Workshops	This code is used to record the costs associated with developing and conducting in-house training workshops attended primarily by external customers or other non-employees of the agency.
20	41	41	422	4220	Registration Fees	This code is used to record charges for fees and materials to attend conferences, seminars, or other employee training related courses conducted by the state agency that are not reportable on the employees W-2. Employee travel costs associated with training should be charged to the appropriate travel object code.

Settlement Agreement Cover Sheet for Payment

Claimant _____

Agency _____

For payment, return copy to:

For Accounting:

Object Code _____

OR

Payroll ☐

[1099 Reporting]

- **COFRS TABLES**
- **VEND** – Payee Name & TIN
- **OBJT** – Object Code Table
- **99TX** – Text Table – Audit Trail
- **1099** – Processing Table
- **TIN1** – 1099 Inc by Tax ID Table

[1099 Reporting – OBJT Table]

ACTION: R SCREEN: OBJT USERID: \$DF00 02/08/08 04:12:34 PM
OBJECT TABLE

KEY IS FISC YEAR, OBJECT

FY OBJT OBJECT NAME SHORT NAME 1099

08 4112	ACT DAMAGES - PHYS INJ/ILLNESS	AD-PHYS INJ		
08 4113	ACTUAL DAMAGES - PROPERTY	AD-PROPERTY		
08 4114	PUNITIVE DAMAGES-PHYS INJ/ILL	PD-PHYSINJ	A	3
08 4115	PUNITIVE DAMAGES-OTHER	PD-OTHER	A	3
08 4116	JUDGMENT INTEREST	JUDGMNT INT	6	1
08 4117	REPORTABLE CLAIMS AGAINST STATE	REPORTABLE	A	3
08 4118	GROSS PROCEEDS TO ATTORNEYS	GROSS PROCDS	A	C
08 4119	CLAIMANT ATTORNEY FEES	CLAIMANT ATT	A	7

[1099 Reporting]

- There are two ways to accumulate or adjust vendor 1099 income:
- General Ledger Transactions – PV JV CR
 - REMEMBER: (1) All transactions must show as ACCEPTED in SUSF on the last business day of December, (2) Must use vendor code
- OR
- 99TX and 1099 Table Entries – REMEMBER: Can't make 1099 Table Entry until January 2 each year

[1099 Reporting]

Preference is:

- General Ledger Transactions
 - Accounting detail is picked up on 1099 Report – T9902RY
 - Good Audit Trail
- REMEMBER: Only the JV lines with a vendor code affect 1099 income.

[1099 Reporting]

Here's the Good News:

- 1099 Subsystem automatically issues correct 1099s for
- Examples 1, 2, 3, 5, 6, 9, 13

[1099 Reporting]

Here's the CHALLENGE:

- The claimant needs a 1099 for total settlement agreement amount (not reduced by attorney fee).
- 1099 Subsystem cannot automatically issue correct 1099s
- Manual adjustments are needed for examples 4, 7, 8, 10, 11, 12, 14, 15

[1099 Reporting – JV Entry]

Best Practice

- Add VEND record for claimant
- Enter a JV to add or adjust claimant income the same day as the settlement PV (s)
- Use claimant's vendor code only on the debit line in the VC field when adding an amount
- Debit OBJT 4117(3) to add claimant income

[1099 Reporting – VEND Table]

Examples 4, 5, 7, 8, 9,10

ACTION: A SCREEN: VEND USERID:\$DF00 01/07/08 09:20:07 AM

VENDOR: 987654321	MISC: N	---1099 NAME/ADDRESS
NAME: ATTORNEY PC		ATTORNEY PC
DBA:		
ADDR: 14 SOUTH STREET		14 SOUTH STREET
CITY: COLORADO SPRINGS ST:CO		CITY:COLORADO SPRINGS ST:CO
ZIP: 80999 COUNTRY:		ZIP: 80999 COUNTRY:
PHONE:	FAX:	
COMMENT:		

- ATTORNEY'S TIN
- NO JOINT PAYEE

[1099 Reporting – VEND Table]

Example 11, 12, 13

ACTION: A SCREEN: VEND USERID:\$DF00 01/07/08 09:20:07 AM

VENDOR: 987654321 B	MISC: N	---	1099 NAME/ADDRESS
NAME: ATTORNEY PC			ATTORNEY PC
DBA: <u>AND</u> CLAIMANT			<u>AND</u> CLAIMANT
ADDR: 14 SOUTH STREET			14 SOUTH STREET
CITY: COLORADO SPRINGS ST:CO			CITY: COLORADO SPRINGS ST:CO
ZIP: 80999	COUNTRY:	ZIP: 80999	COUNTRY:
PHONE:	FAX:		
COMMENT: CREATED FOR SETTLEMENT AGREEMENT			

JOINT PAYEES - NOTE THE PLACEMENT OF "AND"
TIN BELONGS TO THE ATTORNEY
CONTACT OSC TO PUT ON HOLD AFTER WARRANT IS ISSUED

[1099 Reporting – VEND Table]

Example 14

ACTION: A SCREEN: VEND USERID:\$DF00 01/07/08 09:20:07 AM

VENDOR: 987654321 B	MISC: N	---	1099 NAME/ADDRESS
NAME: ATTORNEY1 & ATTORNEY2			ATTORNEY1 & ATTORNEY2
DBA: <u>AND</u> ATTORNEY3			<u>AND</u> ATTORNEY3
ADDR: 14 SOUTH STREET			14 SOUTH STREET
CITY: COLORADO SPRINGS ST:CO			CITY: COLORADO SPRINGS ST:CO
ZIP: 80999	COUNTRY:	ZIP: 80999	COUNTRY:
PHONE:	FAX:		
COMMENT: CREATED FOR SETTLEMENT AGREEMENT			

JOINT PAYEES - NOTE THE PLACEMENT OF & "AND"
TIN BELONGS TO ATTORNEY 1
CONTACT OSC TO PUT ON HOLD AFTER WARRANT IS ISSUED

[1099 Reporting - 99TX Table]

Examples 4,10,11,12,14,15

ACTION: A SCREEN: 99TX USERID: \$DF00

H- 1099 TEXT TABLE

KEY IS YR, RTN TYPE, AGENCY, TAXPAYER ID, INC TYPE, TEXT LINE

YR: 08 RETURN TYPE: A AGENCY: AGY TAXPAYER ID: 123456789

INCOME TYPE: 3 VENDOR NAME: CLAIMANT

TEXT	LINE
01- <u>10/22/08 ADD TO CLAIMANT 1099 +300,000.00</u>	001
03- <u>CODED TO Attorney 4118 ON PV AGY 0800000012</u>	003
04- <u>TOTAL CLAIMANT 1099 SB 300,000.00</u>	005

[1099 Reporting - 99TX Table]

Example 7,8

ACTION: A SCREEN: 99TX USERID: \$DF00

H- 1099 TEXT TABLE

KEY IS YR, RTN TYPE, AGENCY, TAXPAYER ID, INC TYPE, TEXT LINE

YR: 08 RETURN TYPE: A AGENCY: AGY TAXPAYER ID: 123456789

INCOME TYPE: 3 VENDOR NAME: CLAIMANT

TEXT	LINE
01- <u>10/22/08 ADD TO CLAIMANT 1099 4117 +100,000.00</u>	001
03- <u>CODED TO Attorney 4118 ON PV AGY 0800000012</u>	003
04- <u>TOTAL CLAIMANT 1099 SB 300,000.00</u>	005

[1099 Reporting – 1099 Table]

Examples 4,10,11,12,14,15

ACTION: A SCREEN: 1099 USERID: \$DF00 02/07/08 05:27:05 PM

VENDOR 1099 TABLE

KEY IS CALENDAR-YEAR, RETURN-TYPE, AGENCY, TAXPAYER ID, INCOME TYPE

YR: 08 RETURN TYPE: A AGENCY: AGY TAXPAYER ID: 123456789

VENDOR NAME: CLAIMANT

INCOME TYPE	VENDOR INCOME AMT	MISAPPLIED AMT	OUTSIDE PAYMENT
01-	00.00	<u>300,000.00</u>	0.00
	N	0.00	<u>300,000.00</u>

[1099 Reporting – 1099 Table]

Example 7, 8

ACTION: A SCREEN: 1099 USERID: \$DF00 02/07/08 05:27:05 PM

VENDOR 1099 TABLE

KEY IS CALENDAR-YEAR, RETURN-TYPE, AGENCY, TAXPAYER ID, INCOME TYPE

YR: 08 RETURN TYPE: A AGENCY: AGY TAXPAYER ID: 123456789

VENDOR NAME: CLAIMANT

INCOME TYPE	VENDOR INCOME AMT	MISAPPLIED AMT	OUTSIDE PAYMENT
01-	200,000.00	<u>100,000.00</u>	0.00
	N	0.00	<u>300,000.00</u>

[1099 Reporting – TIN1 Table]

Examples 4,7,8,10,11,12,14,15

ACTION: **S** SCREEN: **TIN1** USERID: \$DF00 02/07/08 05:54:32 PM

TAXPAYER ID TABLE

KEY IS CALENDAR YEAR, RETURN TYPE, TAXPAYER ID, AGENCY, INC TYPE

YEAR: **08** RETURN TYPE: **A** TAXPAYER ID: **123456789**

VENDOR NAME: CLAIMANT

			RPT	ORIG/ADJUSTED	REVISED
	AGENCY	INCOME TYPE	IND	1099 AMOUNT	1099 AMOUNT
	-----	-----	---	-----	-----
01-	AGY	3	N	300,000.00	0.00
02-					

[1099 Reporting – JV Entry]

Examples 4,10,11,12,14,15

JV Adjustment to 1099 Amount

- Total Settlement Amt 300,000
 - Orig PV to Atty – 4118 Box C 300,000
 - (No PV to Claimant) <0>
 - JV to ADJ Claimant 1099 Income = +300,000
- DR 300,000 with Claimant Vendor Code field - 4117 Box 3
- CR 300,000 w/o Claimant Vendor Code field - 4117 Box 3
- No chg to GL – the accounts “netted” to 0

[1099 Reporting — JV Entry]

Example # 7

JV Adjustment to 1099 Amount

- Total Settlement Amt 300,000
 - Orig PV to Atty – 4119 (7) 100,000
 - Orig PV to Claimant - 4117(3) 200,000
 - JV to ADJ Claimant 1099 Income = +100,000
- DR 100,000 with Claimant Vendor Code field - 4117 Box 3
 CR 100,000 w/o Claimant Vendor Code field - 4117 Box 3
- No chg to GL – the accounts “netted” to 0

[1099 Reporting — JV Entry]

Example # 8

JV Adjustment to 1099 Amount

- Total Settlement Amt 300,000
 - W-2 issued for 200,000
 - Orig PV to Atty – 4119 Box 7 100,000
 - Orig PV to Claimant 00
 - JV to ADJ Claimant 1099 Income = +100,000
- DR 100,000 with Claimant Vendor Code field - 4117 Box 3
 CR 100,000 w/o Claimant Vendor Code field - 4117 Box 3
- No chg to GL – the accounts “netted” to 0

[1099 Reporting - JV for Examples 4,10,11,12,14,15]

ACCT	SUB APPR				OBJ SUB BS			RPTG						
TYPE	FUND	AGY	ORG	ORG CODE	PROG	FUNC	REV	O/R	ACCT	GBL	CAT	PROJECT		

VENDOR / PROVIDER-CUSTOMER.../														
IND CODE		NAME				DESCRIPTION								

DEBIT AMOUNT				CREDIT AMOUNT										

01-	02	100	AGY					4117						
			V	123456789					ADJ CLAIMANT 1099 2006CV5					
				300,000.00										
02-	02	100	AGY					4117						
								ADJ CLAIMANT 1099 2006CV5						
								300,000.00						

[1099 Reporting - JV for Examples 7,8]

ACCT	SUB APPR				OBJ SUB BS			RPTG				
TYPE	FUND	AGY	ORG	ORG CODE	PROG	FUNC	REV	O/R	ACCT	GBL	CAT	PROJECT

VENDOR / PROVIDER-CUSTOMER.../												
IND CODE			NAME				DESCRIPTION					

DEBIT AMOUNT				CREDIT AMOUNT								

01-	02	100	AGY					4117				
		V	123456789					ADJ CLAIMANT 1099 2006CV5				
			100,000.00									
02-	02	100	AGY					4117				
								ADJ CLAIMANT 1099 2006CV5				
								100,000.00				